

Message Text

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TO SECSTATE WASHDC 8114

C O N F I D E N T I A L PARIS 05425

LIMDIS

GREENBACK

E. O. 11652: GDS

TAGS: EFIN

SUBJECT: RUMORS OF REINFORCED EXCHANGE CONTROLS

1. THE ANNOUNCEMENT LAST WEEK BY THE BANK OF FRANCE OF A REVISION OF CONDITIONS APPLICABLE TO INVESTMENT IN REAL ESTATE IN OTHER COUNTRIES BY FRENCH RESIDENTS PLUS INQUIRIES BY CUSTOMS OFFICIALS ON TRANSFERS OF CURRENCY ABROAD HAVE CAUSED RUMORS OF A MOVE TOWARD TIGHTER CAPITAL CONTROLS.

2. THE REVISION IN REAL ESTATE INVESTMENT REGULATIONS HAS BEEN UNDER STUDY FOR A LONG TIME AND THE TIMING OF ITS RELEASE DOES NOT SEEM PARTICULARLY SIGNIFICANT. MOREOVER FINMIN FOURCADE STATED THAT NEITHER HE NOR THE FRG FINMIN APEL "HAD CONSIDERED EXCHANGE CONTROL MEASURES" DURING THE RECENT GISCARD-SCHMIDT MEETING. INQUIRIES BY CUSTOMS AS TO CAPITAL TRANSFERS ABROAD COULD BE A ROUTINE RESPONSE TO SIGNIFICANT CHANGES IN THE VERSEMENT SUISSE FRANC RATE AND EUROFRANC RATES DURING THE RECENT FOREX CRISIS.

3. STILL THERE IS A STRONG FEELING IN PARIS THAT THE MONETARY AUTHORITIES ARE UP TO SOMETHING. THE MOST LIKELY POSSIBILITY IN THIS RESPECT IS THAT THE TWO
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EXCHANGE MARKET SYSTEM COULD BE REVIVED. A REVIVED

FINANCIAL FRANC MARKET IN WHICH RATES WOULD BE
DETERMINED BY SUPPLY AND DEMAND, FREE FROM OFFICIAL
INTERVENTION, COULD BE EXCLUDED FROM THE EC "SNAKE"
ARRANGEMENT WHILE THE OFFICIAL MARKET WHICH COVERS
THE BULK OF TRADE AND TRADE RELATED TRANSACTIONS COULD
REMAIN WITHIN THE EC "SNAKE". POSSIBLY RECENT INDICATIONS
OF MOVES TOWARD REINFORCING EXCHANGE CONTROLS ARE
INTENDED TO PREPARE THE WAY FOR REVIVAL OF THE TWO
EXCHANGE MARKET SYSTEM IF STRONG PRESSURES AGAINST
THE FRANC DEVELOP.
RUSH

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NNN

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